Fixed Assets 101

This overview pertains to capital assets that are tagged and tracked in the Fixed Assets (FX) module of the College’s financial system software. It does not discuss other capital assets such as land, buildings, construction in progress, or library books. Please address questions to Property Accounting in the Purchasing and Business Services Department, extension 1271.

Introduction

Definitions and Cost Thresholds

1) **Fixed assets** are durable personal property with an estimated service life of several years.
   
   Each fixed asset is recorded in the fixed assets database and receives a unique fixed asset identification number.
   
   Fixed assets are designated as capitalized or controlled.

2) A **capitalized asset** is a fixed asset that has a value equal to or greater than the College’s capitalization threshold for that asset type. With some exceptions, such as works of art, capitalized assets are depreciated. The net value of all capital assets is reported on the balance sheet of the College’s annual financial report.

   Effective December 13, 2011 the College’s capitalization threshold for College-owned fixed assets, regardless of type, was increased to $5,000. Grant-funded equipment is typically capitalized in accord with the College’s capitalization policy and considered to be College-owned unless specific provisions of the grant dictate otherwise.

3) A **controlled asset** is a fixed asset that has a value less than the capitalization threshold but is deemed to have a high risk of loss or otherwise requires tracking and periodic inventory. Controlled assets are expensed when purchased.

   Controlled assets are:
   
   a) Controlled (Unit cost $1 < $5,000)
      
      i) Firearms (hand guns, rifles, shotguns, etc.)
      
      ii) Technology items such as desktop, laptop, / portable or tablet CPU, routers, servers, digital projectors, select audio visual items, etc. See footnote 1
   
   b) Controlled (Unit Cost $500 < $5,000)
      
      i) Cameras, camcorders, and similar photographic or video equipment
      
      ii) Radios, handheld VHF or UHF
      
      iii) Musical instruments
      
      iv) Objects of art
      
      v) Other if requested by a Department chair / director/ director having stewardship of the item.

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1 This list of technology items is representative. The IT Department uses the unique fixed asset ID number to identify and manage many types of technology items.

Del Mar College, Purchasing and Business Services Department. February 2013.
**Object Codes Associated with Fixed Assets**

1) Capitalized Assets (unit cost $5,000 or greater)
   a) Use object code 54102 “Technology Capitalized” to purchase technology items requiring approval by the IT Department.
   b) Use object code 54180 “Vehicles” to purchase cars, trucks and other rolling stock.
   c) Use object code 54101 “Equipment Capitalized” to purchase all other capitalized assets.

2) Controlled Assets (unit cost less than $5,000)
   a) Use object code 54002 “Technology Not Capitalized” to purchase technology items requiring approval by the IT Department.
   b) Use any appropriate object code in the 53xxx series to purchase all other controlled assets. (53001 “Office Supplies”, 53003 “Other Supplies”, 53101 “Instructional Supplies”, etc.)

**Acquisition Methods**

**Purchased**
The most common method of a College department to acquire a fixed asset is through the purchasing process.

When preparing the purchasing requisition, use the correct object code as discussed above. In the “Printed Comments” portion of the requisition, state where the item will be located (building and room number) and the name of the DMC department or instructional unit who will perform the annual asset inventory. See Buildings List and List of Named Inventories.

**Donated**
Fixed assets may be donated to the College. A donation is a voluntary non-exchange transaction entered into willingly by two or more parties. Donated assets become the property of the college. Before the College may accept a donation, the accepting department must have the current edition of a properly completed Property Donation Agreement BUS 016 approved by appropriate College officials.

See DMC policy A4.12 for additional information.

**Acquired by Exchange of Other Assets**
Fixed assets may occasionally be acquired by exchanging existing College assets of equal value. All such transactions must be approved by the Department Chair, Dean and VP of Administration and Finance. College faculty or staff contemplating an asset exchange should contact the Purchasing Director for assistance.
General Policies

Tagging and Asset Information
Each fixed asset, whether capitalized or controlled, shall be assigned a unique fixed asset ID number and shall be marked or tagged as property belonging to Del Mar College. Property Accounting will assign the asset ID, obtain appropriate labels, perform the tagging function, and maintain the fixed assets database with relevant asset information. In situations where affixing a physical tag to an item would deface it, reduce its intrinsic value, or interfere with its intended use, an alternate method of asset identification may be used.

Relocation of Fixed Assets
In accord with College policy A4.23.1 “Removal from Designated Area” relocation or transfer of fixed assets must have the department chair’s approval and the Purchasing and Property Accounting office notified of the new location and asset custodian with an Equipment Transaction Record (ETR).

Annual Inventory
In accord with College policy B4.23 “Equipment/Facilities Responsibility” department chairs / unit managers shall conduct an annual physical inventory of the fixed assets assigned to them. For additional information, please read our instructions for annual inventory.

Report of Loss
In accord with College policy A4.23.3, lost equipment must be reported immediately by email and phone to the Vice President of Administration and Finance and to Campus Security. Campus Security will then call the local police and complete a police report if it is necessary for police to be dispatched to the campus.

The Department chair / director reporting the loss should complete an Equipment Transaction Record (ETR), accompanied by a memorandum addressed to the Director of Purchasing / Business Services. The memorandum should summarize the circumstances of the loss, the date first reported, and request the lost item be removed from the inventory accountability records for the department (or other appropriate action or recommendation.) Submit the ETR to Purchasing c/o Property Accounting. They will forward it to the Vice President of Administration and Finance for consideration.

Loan of Property
Department chairs loaning Del Mar College property to other agencies or entities do not absolve themselves from the responsibility of ensuring stewardship of the property or the reporting requirements for the property. Reporting of the property must continue as though the loaning department still has possession of the property. The loaning department also maintains documentation on the provisions of the loan. All loaned property must be reported in the annual physical inventory of the loaning department. See DMC policy A4.23.2 for additional information.

Surplus
A fixed asset may become surplus property and of no further value to the department to which it is assigned. Such assets shall be transferred to Purchasing and Business Services for reassignment or disposal.
disposal. The transfer must be recorded on an ETR. If the item possesses some usefulness for the purpose for which it was originally intended, it is offered for distribution to other College departments. If no other department can use the property, it may be made available to taxing units within the College’s district or sold at auction. Please refer to Disposal of Surplus Property for additional information.

**Cannibalization or Disposal**
A fixed asset may, through use, time, or accident become depleted, worn out, damaged or obsolete and unable to serve the purpose for which it was originally intended. Such salvage property can be cannibalized or disposed of.

The decision to cannibalize is determined by the Department chair / director or dean with input from the instructional unit or technical experts. If the department selects to cannibalize the fixed asset, an ETR approved by the Department chair / director must be sent to the Purchasing and Property Accounting office to document the method of disposal and strike the asset from inventory records.

If the department recommends disposal as scrap, an ETR approved by the Department chair / director must be sent to the Purchasing and Property Accounting office. Assets containing refrigerant, liquid petroleum products (fuel, oil), etc. must be purged of such products before disposal. For motor vehicles, property accounting will provide a checklist of remediation and clean-up tasks that must be completed before motor vehicles are acceptable for recycling or scrap. The owning department must safely and properly self-perform these tasks or coordinate the work with other qualified College or commercial entities. When all such preparations for disposal are complete, the asset will be removed from the department’s inventory records and transferred to the Purchasing and Business Services Department which will proceed with disposal as appropriate.

**Fixed Assets Database**

The Fixed Assets module (FX) of the College’s financial system software is used to track and report on fixed assets.

**Database Information Available**
The FX database contains a description of the asset, the asset manufacturer, serial or other identification number, the acquisition method and date, the unit cost, the asset location, condition, and responsible department, and codes to identify the depreciation method and categorize each item. If purchased, the Purchase Order number is referenced. When an asset is disposed, the database records the disposal date, method and sale or salvage value if applicable.

**Database Does Not Contain Asset Funding Source**
The FX database does not contain any information about the nature or source of funds used to purchase an asset. That information is not transferred from the accounts payable module to the FX module. Consequently, it is not possible to easily query the FX database for an answer to questions such as “Which assets did department “X” purchase with their budget account last year?” or “Provide a list of
Neither is it possible to answer similar questions easily by querying the accounts payable or purchasing modules of the financial system software. Consequently, it is incumbent on budget managers, grant investigators and the like to develop an alternate means within their program to capture and maintain this information if they foresee a need to answer questions or respond to program audits with such.

2 The singular exception to this rule is assets acquired with Carl Perkins vocational and tech-ed grant funds.